

Top Secret

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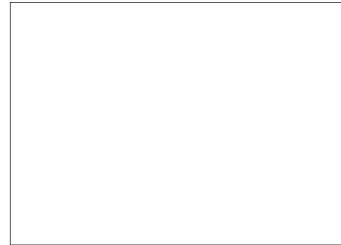
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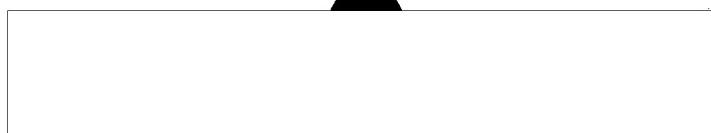


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NATIONAL INTELLIGENCE DAILY CABLE

Saturday 14 October 1978 CG NIDC 78/240

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National Intelligence Daily Cable for Saturday, 14 October 1978.

The NID Cable is for the purpose of informing senior US officials.

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IRAN: Politics and Economics

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[redacted] The Iranian Government is being forced to re-order its economic priorities in light of continuing political unrest. The expensive military and nuclear power programs--traditionally those most dear to the Shah and, therefore, immune to previous cutbacks--are to bear the brunt of budget reallocations. The Iranian domestic situation remains unsettled, with strikes, demonstrations, and occasional deaths in many areas. //Rumors that Prime Minister Sharif-Emami is about to be replaced appear unfounded at present.//

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[redacted] Iran's top military procurement official, General Toufanian, has told US officials that there will be changes and postponements in equipment acquisition schedules. He noted that Iran will not go ahead with the purchase of 140 additional F-16 and 70 additional F-14 fighter aircraft, which Tehran has been pressing the US Government to approve. Iran also will not buy other fighter aircraft and several hundred large-caliber howitzers as US sellers had expected.

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[redacted] Although there has been no official announcement that the nuclear power program is to be curtailed, the program apparently will be limited to the two reactors being built by West Germany and two more the French are building. No further work is likely on four more nuclear plants for which Iran and West Germany had already signed letters of intent, and negotiations on eight additional plants with France, the US, and other Western suppliers are also likely to be halted.

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[redacted] The growing costs of the military and nuclear programs reportedly have shocked the Shah and other Iranian officials. Planned military procurement from US suppliers during the current year was slated at \$2.3-\$2.6 billion and the tentative payment schedule over the next five years averages well over \$2 billion annually. The four nuclear plants under construction will cost an estimated \$6-\$8 billion, with payments stretched out through the late 1980s. Projections of costs for additional nuclear power plants of comparable size have risen to an estimated \$3.0-\$3.6 billion each.

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[redacted] Although a high-level decision apparently has been made to free military and nuclear program funds for rural development, infrastructure, and social welfare projects, most



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of the cutbacks will not impact on the current or next year's budget. The government will have to find other means to cover increased payments to public sector workers.

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[redacted] Government capitulation to substantial wage and benefit demands is settling widespread strikes in government and industry. The effect on the economy cannot be determined, but renewed inflation seems almost certain.

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[redacted] //On the political front the Shah has told both the US and British Ambassadors that he intends to retain the Prime Minister, who is making some progress in his negotiations with moderate religious leaders.//

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[redacted] //The rumors that Sharif-Emami would soon be replaced most frequently mention as his successor Ali Amini, a septuagenarian former Prime Minister who is reported to have had at least two recent conversations with the Shah. Amini reportedly desires a greater role in the direction of the armed forces, which the Shah is unlikely to permit unless he is also prepared to give up most of his other authority. Dispute over this point was a major factor in the Shah's break with Prime Minister Mossadeq in 1952 and the subsequent overthrow of Mossadeq.//

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[redacted] //Amini's major asset seems to be that he has been untainted by association with the Shah's policies since 1962. Although some of the publicity for Amini was probably self-generated, the fact that he is apparently regarded by many as a potential prime minister suggests the paucity of political talent in Iran.//

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[redacted] //Political opposition is momentarily in the doldrums, partly because moderate opponents now realize that the radical actions to which they had contributed might trigger a complete collapse of governmental authority. The Shah's fiercest opponent among the Muslim clergy, Ayatollah Khomeini, is in Paris after being expelled from Iraq, and another opponent, Ayatollah Shariatmadari, at least occasionally consults with Sharif-Emami's government to try to compromise their differences.//

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[redacted] //Demonstrations and bombings, some of them directed against Americans, are continuing throughout the country. Many of these are probably spontaneous and not connected

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with any nationwide campaign. Martial law remains in effect in 12 cities including Tehran.// [redacted]

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LEBANON: Situation Report

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[redacted] Sadrudin Khan, UN Secretary General Waldheim's special representative to Lebanon, believes the Maronite Christians have become more conciliatory toward Syria and are willing to support an increase in the non-Syrian component of the Arab Deterrent Force. Not all Maronite leaders are committed to a moderate approach, but most do seem for now to favor talking to renewed fighting. The movement yesterday of Lebanese Army units into a Beirut suburb seems limited.

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[redacted] Sadrudin told US officials in Damascus yesterday that following his talks with Maronite leaders in Beirut he had concluded that:

- The Maronite militias want the cease-fire to hold.
- They favor diluting the Syrian component of the ADF so that non-Syrian troops replace the Syrians in the heart of Beirut.
- They are prepared to give President Sarkis another chance to form a government of national unity.

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[redacted] He said that the militias seem fed up with the fighting and realize their close ties with Israel are harming them in terms of ultimate reconciliation in Lebanon.

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[redacted] The UN envoy talked only with Dany Shamun and Amin Jumayyil--two of the more moderate Maronite leaders--before reaching his conclusions. Their moderate line does not necessarily represent the final word from the militias. The leaders of the Maronite groups are reviewing their options in the wake of the UN-sponsored cease-fire and Sarkis' initiative to expand the non-Syrian components of the Deterrent Force.

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[redacted] A decisive Maronite turn toward moderation may depend on the results of the contacts under way between Syrian President Assad and a personal representative sent by Shamun to Damascus.

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[redacted] The Syrians seem amenable to a political settlement with the Maronites and perhaps to some modification of the Syrian presence in Beirut. Assad apparently is willing to see relatively moderate leaders such as Dany Shamun and Amin Jumayyil participate in a new government under Sarkis, although Assad will also want Muslim leftists represented. Assad is probably skeptical that hardline Maronite leader Camille Shamun will accept a compromise.

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[redacted] The Lebanese Army on Thursday sent about 500 men into the Maronite-controlled suburb of Hadath. Prime Minister Huss said the deployment was aimed at securing the road through Hadath to the presidential palace. His statement apparently was intended to forestall speculation that the move was related to a plan by Sarkis to have the Army replace ADF units along the confrontation line with the Maronites.

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[redacted] The Army units took over positions that National Liberal militiamen had agreed to vacate; ADF positions were not changed.

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PALESTINIANS: Camp David Accords

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[redacted] Official statements by the Palestine Liberation Organization continue to contain harsh criticism of the Camp David accords. //Some PLO leaders, however, are closely watching post - Camp David developments and ultimately may be willing to exploit quietly the opportunities the agreements offer the Palestinians.//

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[redacted] The Fatah Central Committee on 4 October issued a tough statement reiterating the organization's "absolute rejection" of the Camp David accords. The communique called on all Palestinians, including those in the occupied territories, to reject the idea of a self-governing authority on the West Bank and in Gaza and to boycott any elections held to establish such a body. Fatah warned that anyone who becomes involved will "pay the price for his betrayal."

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[redacted] We believe Arafat and his moderate colleagues are engaging in a certain amount of posturing for the benefit of Palestinian extremists and their radical Arab allies. He may also hope to discourage non-PLO supporters in the occupied territories from openly backing the agreements reached at Camp David.

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[Redacted]

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CHINA-EUROPE: Inter-Party Ties

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[Redacted] The inclusion of a French Communist Party member in a group of journalists who visited Peking a few weeks ago is the latest indication that the Chinese are reconsidering their policy toward the major Communist parties of Western Europe. Rene Dument, the director of a Limoges newspaper, is the first French Communist journalist to visit Peking since 1964.

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[Redacted] Deputy Foreign Minister Yu Chan minimized "for the moment" the chances of reconciliation between the French and Chinese parties but did not rule out such a development in the future. Yu told the delegation that the Eurocommunist parties are showing "a certain independence" from Moscow and opposing Soviet claims of preeminence in party affairs but pointed out that the Chinese party still has ideological differences with the Eurocommunists.

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[Redacted] His comments suggest lengthy, delicate maneuvering that could be upset by extraneous events before party ties are restored with the French or Italians. In the meantime, the Chinese will continue to maintain relations with small, anti-Soviet, "Marxist-Leninist" splinter parties in Western Europe.

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[Redacted] //This summer, party chairman Hua Kuo-feng indicated that the Chinese had no objections to the renewal of contacts with the Italian Communist Party, in itself a departure from Peking's tactics earlier this year.

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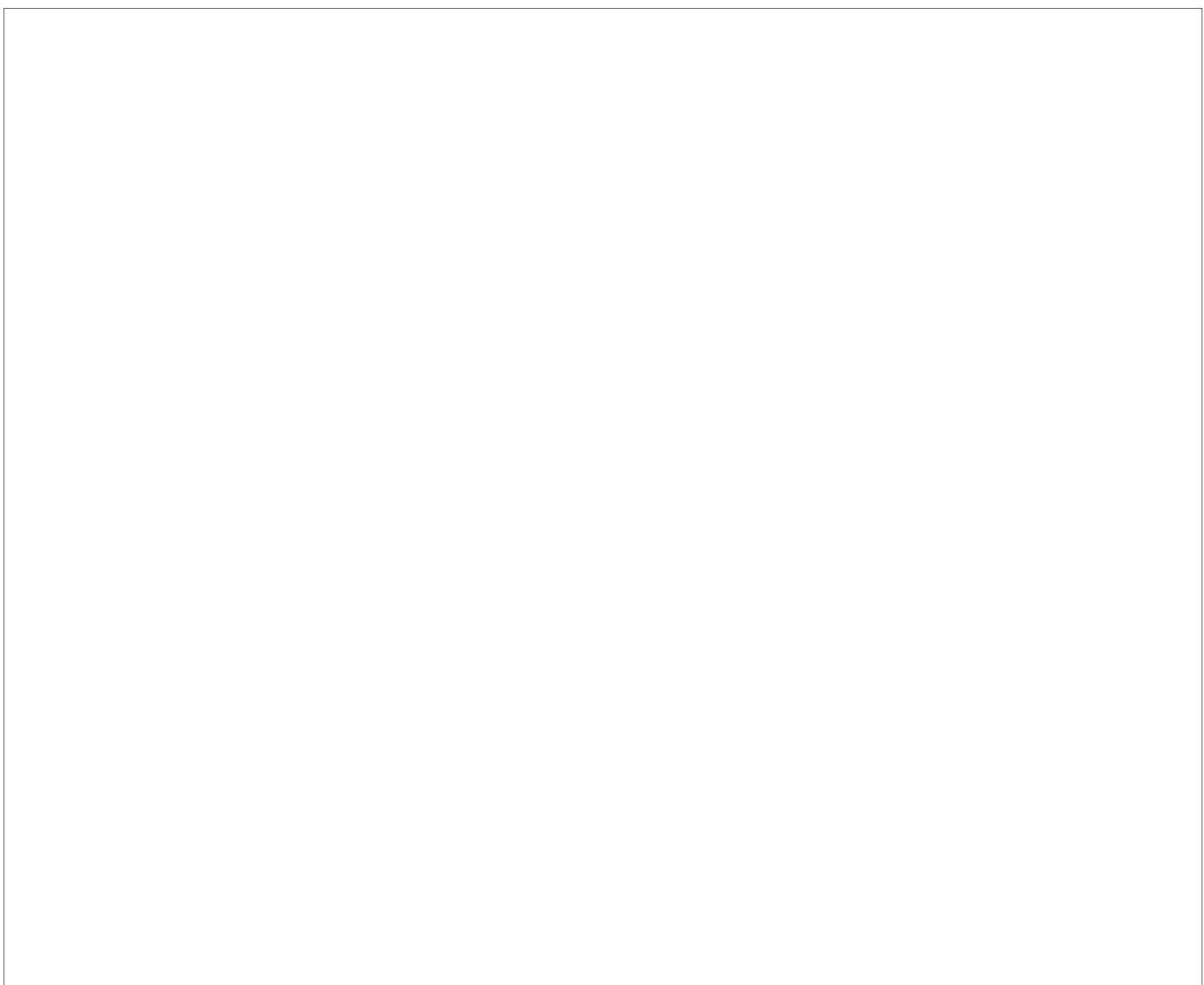
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[redacted] The defeat of the leftwing alliance in the French election last spring, however, may have caused the Chinese to reformulate their tactics. An authoritative Communist newspaper in Hong Kong blamed the defeat on an unrealistic social program and French Communist undermining of security through opposition to NATO. With the threat of its participation in a leftwing government apparently removed, the Chinese may believe that the French party is in no position to undermine NATO and thereby damage an important Chinese interest. [redacted]

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CANADA: By-Elections Prospects

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[Redacted] //By-elections on Monday for 15 Canadian Parliamentary seats will test the mood of the voters. Prime Minister Trudeau's Liberal Party majority in Parliament will not be affected by the results, but, with a general election less than a year away, the three major parties realize the symbolic value of these elections and have campaigned vigorously.//

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[Redacted] //Of primary concern to the electorate are the sluggish state of the economy and Trudeau himself. In an effort to spur the economy, Trudeau announced in late summer a series of measures to cut federal spending, fight inflation, and create jobs. But the various parts of the program were haphazardly introduced and have yet to elicit much enthusiasm from the public or to aid the economy.//

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[Redacted] //The secondary issue--Trudeau--permeates everything else. Polls by the parties show that many voters dislike and distrust the Prime Minister but still consider him to be the most able leader on the national scene. This preference reflects opposition Progressive Conservative leader Joe Clark's persistent image problem; he is an unknown with little charisma.//

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[Redacted] //The Liberals are more concerned about the location of the seats they may win Monday than about the number. Liberal Party polls have been showing a downturn of the party's popularity in southern Ontario, a region--along with Quebec--critical to Liberal success in next year's general election. A poor showing in the race for the five vacant seats in Toronto would be a blow to Liberal morale and Trudeau's prestige within the party.//

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[Redacted] //Although the Liberals will continue to hold their majority in Parliament, they worry that the antigovernment vote--customarily more vigorous in by-elections--will be even stronger than expected. The psychological effects, with a general election approaching, could be hard to overcome.

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MALTA: Mintoff's Libyan Option

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[redacted] //Maltese Prime Minister Mintoff in a recent speech again threatened that Malta will cooperate closely with Libya if France, West Germany, and Italy do not provide direct grants to help offset the \$70 million to \$80 million Malta will lose annually following the British military withdrawal next March.

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[redacted] //Mintoff has cited Qadhafi's public pledges of economic assistance--and Libya's recent deliveries of four helicopters and two patrol boats--to assert that Libya is more responsive than the West to Malta's needs.//

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[redacted] //The Italians are now trying to work out an arrangement under which the West Europeans would agree among themselves on an aid package, consult the Libyans, and then approach Mintoff with a joint offer. The Italians anticipate a wary response from the West Germans in particular but hope to sell the idea as a way of coping with Mintoff's practice of playing one side off against the other.//

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[redacted] //Now that the West Europeans think they have some idea of the nature of Mintoff's "Libyan option," they are likely to put increased pressure on him to drop his demand for budgetary aid and to negotiate a package of low-interest loans and project assistance.//

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FRANCE: Political Balance

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[redacted] //French President Giscard, who has persistently maintained his long-term idea of bringing the Socialists into

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a center-left coalition, has reportedly been persuaded by accumulating evidence and the advice of his staff that the idea must be put off until after the 1981 presidential election.//

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//Most political observers have long considered Giscard's plan unrealistic, but the President, possibly encouraged by his confidential soundings, has been reluctant to give it up. Giscard's appointment early last month of former Left Radical chief Robert Fabre to a high-sounding job of surveying the unemployment problem may have been intended to show support for the policy, but others interpreted it as a clumsy effort to split the left. The Left Radicals expelled Fabre almost immediately.//

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//The leading reason for Giscard's change in tactics is apparently his conclusion that the delicate balance within the center-right majority, which depends on substantial cooperation by Jacques Chirac's Gaullists, would be disturbed by Gaullist suspicion that the President is still trying somehow to switch to a center-left alliance. Giscard's decision to build a sixth nuclear submarine has been widely interpreted as a bow to the Gaullists, and relations between them and Giscard's Union for French Democracy have momentarily improved.//

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//The notion of forming a single center-right list to contend with other French groups in the election next year of the European Parliament is also still afloat. It is not clear that Chirac will make such an offer on acceptable terms or that Giscard overwhelmingly wants it, but agreement on a joint list probably would relax tensions within the majority.//

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//The quarrels within the Socialist Party have convinced Giscard that Socialist leader Francois Mitterrand needs to press for left unity to win Communist votes for his presidential ambitions in 1981. Socialist national secretary Pierre Mauroy, with whom Giscard's advisers had been in touch some months ago, is now seen as a Mitterrand loyalist who will make no move of his own.//

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//Michel Rocard remains Giscard's long-term hope to lead the left into coalition with the center, but he believes that Rocard cannot make any deals until after Giscard's expected reelection in 1981. Giscard sees Rocard as a potential prime minister in a center-left government, at that time, probably with the support of Mauroy.//

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[redacted] //The odds remain long against such a reshuffle in French politics. It is unlikely that Rocard could take a united Socialist Party into a center-left coalition in 1981, and any opening to the left may have to await the parliamentary election in 1983. [redacted]

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BRIEF

South Yemen

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[redacted] The long-heralded restructuring of South Yemen's sole legal political party is under way, and party leaders have announced their intention to abolish the current five-man Presidential Council. Changes in the party and in some governmental organizations may provide clues to the current strengths of the various political factions.

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[redacted] The old Unified National Front was renamed the Yemeni Socialist Party on Wednesday. The Presidential Council will be replaced by a Presidium of the country's legislative body, the Supreme People's Council. The new party, government, and legislative structure appears to parallel the Soviet model, probably owing to the influence of Soviet advisers.

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[redacted] If party chief and strongman Abd al-Fattah Ismail is named Chairman of the Presidium, it could provide evidence that his power is enhanced despite reports of opposition to him. //Recent reports have suggested that Ismail, who is of North Yemeni origin, has come under increasing criticism from South Yemenis who oppose the domination of the government by native North Yemenis.

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